



**STATE OF ALABAMA**  
ALABAMA PUBLIC SERVICE COMMISSION  
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SECRETARY

December 19, 1996

**Mr. William F. Caton**  
**Acting Secretary**  
**Federal Communications Commission**  
**1919 M Street N**  
**Washington, D.C. 20554**

Re: **CC Docket No. 96-45, Federal State Joint Board on Universal Service**

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Dear Mr. Caton:

Enclosed please find for filing in the above captioned proceeding, an original and four copies of the comments of the Alabama Public Service Commission in the above referenced docket.

Please indicate your receipt of this filing on the additional copy and return to the undersigned in the enclosed self-addressed, postage prepaid, envelope. Thank you.

Respectfully,

Mary E. Newmeyer  
Federal Affairs Adviser

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**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

**FCC 96J-3**

**In the Matter of**

**Federal-State Joint Board on  
Universal Service**

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**CC Docket No. 96-45**

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**COMMENTS OF THE  
ALABAMA PUBLIC SERVICE COMMISSION  
on the  
UNIVERSAL SERVICE RECOMMENDED DECISION**

The Alabama Public Service Commission (APSC or Alabama PSC) hereby submits its initial comments pursuant to the Federal Communications Commission's (FCC or Commission) November 18, 1996, request for comments on the Joint Board Recommended Decision in CC Docket No. 96-45 on Universal Service. The recommendations of the Joint Board are in response to the directives of Congress in the 1996 Telecommunications Act. In particular, Congress directed the Joint Board to recommend, and the Commission to adopt, a new set of universal support mechanisms that are consistent with the 1996 Act. More explicitly, Congress instructed that the new mechanisms are to be explicit and sufficient to advance the universal service principles enumerated in the statute and such other principles as the Joint Board and the Commission believe are necessary and appropriate for the protection of the public interest, convenience and necessity.

**I. DISCUSSION**

The Alabama Public Service Commission commends the Joint Board on the tremendous amount of work they have done to addresses the universal service mandates contained in the 1996

Act. We will limit our initial comments to the questions raised in the recommended decision regarding the revenue base for assessing universal support contributions by interstate carriers.

The APSC does not support assessing both the interstate and intrastate revenues of carriers that provide interstate telecommunications to fund the FCC's high costs and low income support mechanisms. We believe there is a continued distinction between the jurisdiction of the FCC and the jurisdiction of the states. The 1996 Act did not remove the limits placed on the FCC's authority contained in section 2(b) of the Communications Act of 1934. The 1996 Act provides no explicit authority for the FCC to assess intrastate revenues of interstate carriers for support of the Commission's federal universal service program.

The Act clearly references a jurisdictional dichotomy in addressing universal service. Section 254(d) clearly states that "every telecommunications carrier that provides *interstate* telecommunications services" must contribute on an equitable and nondiscriminatory basis, to preserve and advance universal service. Congress, in section 254(f), provided that states may institute complimentary state universal service programs which would require every telecommunications carrier that provides *intrastate* telecommunications services to contribute on an equitable and nondiscriminatory basis to the state program.

The Alabama PSC also believes that assessing both interstate and intrastate revenues of interstate telecommunications carriers would produce an inequitable and discriminatory basis for contributions. The intrastate revenues of intrastate carriers are beyond the reach of the FCC's universal service program. Under the proposal, interstate carriers would, however, be charged for providing the same intrastate services. If a state universal service program was instituted in addition to the federal program, the intrastate carrier would be charged but the interstate carrier would be

charged twice. This type of action could provide a competitive advantage to the intrastate carrier, and therefore violate the principle of competitive neutrality.

A number of other changes required by the 1996 Act and other reform measures raise concerns about the level of the high cost support needs included in the universal service program. The FCC has indicated its intention to address access charge reform in the same time frame as its decision on universal service. A comprehensive review of the separations rules is also anticipated. The proxy model and benchmark mechanisms recommended by the joint board are not finalized. All of these actions will have a direct effect on the size of the fund and the need for high cost support. Until the outcomes of these activities are more defined, it is extremely difficult for state regulators to assess the need to establish state universal service programs or the impact on their existing programs.

A decision by the FCC to assess the intrastate revenues of the interstate carriers may severely affect the ability of states to establish complementary programs in their states to address the increased pressures on rates or adopt additional definitions or standards to preserve and advance universal service within the state. As stated above, a state fund could result in a double assessment on interstate carriers who also provide intrastate services. Additionally, there is considerable doubt whether the states would have the authority to assess the interstate revenues of their intrastate carriers as has been suggested. A number of states have statutes such as section 37-1-43 of the Code of Alabama 1975, that clearly limit their authority in this matter.

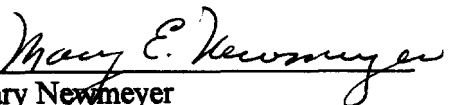
The existing high cost and low income support mechanisms are presently being funded based only on interstate services of interstate carriers. Alabama, like many other states, has already begun to address implicit subsidies through our rate rebalancing plan. We see no need or value in expanding

the funding base of the federal universal service fund to include intrastate revenues of interstate carriers.

## II. CONCLUSION

The Alabama PSC offers the above comments in response to the FCC's request for comments on the Joint Board Recommended Decision on Universal Service. We reiterate that the APSC does not believe that both the interstate and intrastate revenues of carriers that provide interstate telecommunications should be assessed to fund the FCC's high cost and low income support mechanisms.

Respectfully submitted,  
Alabama Public Service Commission

By   
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December 19, 1996